

# **ENDLESS SOLAR CORPORATION LIMITED & CONTROLLED ENTITIES**

**ABN: 51 122 708 061**

**Financial Report For The Year Ended  
30 June 2011**

# ENDLESS SOLAR CORPORATION LIMITED & CONTROLLED ENTITIES

ABN: 51 122 708 061

## Financial Report For The Year Ended 30 June 2011

CONTENTS	Page
Directors' Report	1
Auditor's Independence Declaration	3
Statement of Comprehensive Income	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Notes to the Financial Statements	8
Directors' Declaration	23
Independent Audit Report	24
Additional Information for Public Companies	25

**ENDLESS SOLAR CORPORATION LIMITED & CONTROLLED ENTITIES ABN: 51 122 708 061**  
**DIRECTORS' REPORT**

Your directors present their report, together with the financial statements of the Company for the financial year ended 30 June 2011.

**Principal Activities and Significant Changes in Nature of Activities**

The Endless Solar Group designs and distributes energy saving products and services. It specialises in providing high quality, cost effective solar water heating products using Evacuated Tube technology for the needs of both residential and commercial customers. There has been no significant change in the nature of these activities during the financial year.

**Operating Results and Review of Operations for the year**

**Operating Results**

The consolidated profit of the economic entity amounted to \$356,016 after providing for income tax benefit of \$79,845 (2010: profit \$235,962 after income tax expense). The total amount of Research and Development that has been undertaken is \$651,990. The relevant part of this has been included in this year's results. For the year under review the accounting operations produced a profit of \$276,171 before tax.

**Review of Operations**

The Group has continued its research and development work in the Climate Ready project in association with the Australian National University in Canberra. Significant project milestones have been achieved, and the Group is considering various options that can take this project to more advanced stages.

No economic benefits have been realised from the Group's current agreement with Lend Lease.

**Financial Position**

The net assets of the economic entity have increased by \$356,016 to \$1,334,429 at 30 June 2011. This has largely resulted from the effect of the capitalised value of the Climate Ready Project. The Group maintains its policy of not having external debt and this will assist the Group to get through the current global economic slowdown that is likely to impact on Australia.

**Significant Changes in State of Affairs**

There were no other significant changes in the State of Affairs of the parent entity or controlled entities during the financial year ended 30 June 2011.

**Dividends Paid or Recommended**

There were no Dividends paid or declared for payment during the financial year.

**Events after the Reporting Period**

Since balance date, the group reports the following:

- (i) successful completion of pro-rata rights issue and placement raising of \$350,000,
- (ii) resignation of Mr. Stephen Standish on 26 July 2011 as director of Endless Solar Corporation Limited and Group,
- (iii) appointment of Mr. Kevin Thomas on 26 July 2011 as director of Endless Solar Corporation Limited.

As at the date of this report, the Climate Ready Project is nearing completion.

**Future Developments, Prospects and Business Strategies**

At this stage, the group is not able to predict results due to the present uncertainty in world markets and the various economic conditions that may affect your company's operations.

**Environmental Issues**

The consolidated group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

**Information on Directors**

Mr David H.A Craig	— Chairman
Mr Stephen Standish	— Director (resigned 26 July 2011)
Mr Boyce Pizzey	— Non-Executive Director (Resigned 22 February 2011)
Mr Chris Baring-Gould	— Non-Executive Director (Appointed 18 August 2010)
Mr Kevin Thomas	— Director (Appointed 26 July 2011)

ENDLESS SOLAR CORPORATION LIMITED & CONTROLLED ENTITIES ABN: 51 122 708 061  
DIRECTORS' REPORT

**Company Secretary**

Mr Kevin Thomas was appointed company secretary in January 2010 and held this position at the end of the financial year.

**Meetings of Directors**

During the financial year, six meetings of directors were held.  
Attendances by each director during the year were as follows:

Directors' Meetings	
Number eligible to attend	Number attended
Mr David H.A Craig	6
Mr Stephen Standish	6
Mr Boyce Pizzey	4
Mr Chris Baring-Gould	6
Mr Kevin Thomas	-

**Indemnifying Officers or Auditor**

Indemnities have been given and insurance premiums have been paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the consolidated group.

**Proceedings on behalf of the Company**

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.


The Company was not a party to any such proceedings during the year.

**Non-audit Services**

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.


**Auditor's Independence Declaration**

The auditor's independence declaration for the year ended 30 June 2011 has been received and can be found on page 3 of the financial report.

  
Mr. David H.A Craig

Dated:

16 December 2011

 JOHN WHELLER, F.C.A.

CHARTERED ACCOUNTANT

AUDITOR'S INDEPENDENCE DECLARATION  
UNDER S 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF ENDLESS SOLAR CORPORATION LIMITED & CONTROLLED  
ENTITIES ABN: 51 122 708 061

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2011 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

  
.....  
John Wheller  
Registered Company Auditor

Dated 9 of January 2012

Registered Company Auditor No.9003

PO Box 933, Carnegie Vic 3163  
1190 Dandenong Road, Murrumbidgee Vic 3163

Tel: +61 3 9568 0188 Fax: +61 3 9569 6265  
Email: twb@twb.com.au Web: www.twb.com.au

ENDLESS SOLAR CORPORATION LIMITED & CONTROLLED ENTITIES ABN: 51 122 708 061  
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011	2010
		\$	\$
Sales Revenue			
Cost of Sales	2	1,788,851	2,516,170
Gross Profit		(942,271)	(1,470,240)
		<u>846,580</u>	<u>1,045,930</u>
Other income		9,201	9,365
Administration expenses		(548,054)	(712,174)
Depreciation Expense		(16,073)	(22,132)
Finance costs		(699)	-
Net losses on financial assets - held for trading	3	(14,784)	-
Profit before income tax	3	<u>276,171</u>	<u>320,988</u>
Income tax benefit (expense)	4	79,845	(85,026)
Profit for the year		<u>356,016</u>	<u>235,963</u>
Other comprehensive income:			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		<u>356,016</u>	<u>235,963</u>

The accompanying notes form part of these financial statements.

**ENDLESS SOLAR CORPORATION LIMITED & CONTROLLED ENTITIES ABN: 51 122 708 061**  
**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011**

	Note	2011 \$	2010 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	8	349,395	416,627
Trade and other receivables	9	46,193	143,426
Inventories	10	125,751	240,108
Other assets	15	18,418	10,888
<b>TOTAL CURRENT ASSETS</b>		<u>539,757</u>	<u>811,049</u>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	9	40,143	9,000
Other financial assets	12	370,891	452,128
Property, plant and equipment	13	32,920	42,574
Deferred tax assets	17	85,388	23,450
Intangible assets	14	606,883	121,847
<b>TOTAL NON-CURRENT ASSETS</b>		<u>1,136,225</u>	<u>649,000</u>
<b>TOTAL ASSETS</b>		<u><u>1,675,982</u></u>	<u><u>1,460,049</u></u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	16	230,605	284,877
Current tax liabilities	17	60,150	98,196
Provisions	18	50,798	59,156
<b>TOTAL CURRENT LIABILITIES</b>		<u>341,553</u>	<u>442,229</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities	17	-	39,407
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>-</u>	<u>39,407</u>
<b>TOTAL LIABILITIES</b>		<u>341,553</u>	<u>481,636</u>
<b>NET ASSETS</b>		<u><u>1,334,429</u></u>	<u><u>978,413</u></u>
<b>EQUITY</b>			
Issued capital	19	576,700	576,700
Retained earnings		757,729	401,713
<b>TOTAL EQUITY</b>		<u><u>1,334,429</u></u>	<u><u>978,413</u></u>

The accompanying notes form part of these financial statements.

ENDLESS SOLAR CORPORATION LIMITED & CONTROLLED ENTITIES ABN: 51 122 708 061  
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2011

	Ordinary Share Capital	Retained Earnings / (Losses)	Capital Development Reserve	Total
	\$	\$	\$	\$
<b>Balance at 1 July 2009</b>	574,000	165,751	-	739,751
<b>Comprehensive income</b>				
Profit for the year	-	235,962	-	235,962
Other comprehensive income for the year	-	-	-	-
<b>Total comprehensive income for the year</b>	<u>-</u>	<u>235,962</u>	<u>-</u>	<u>235,962</u>
<b>Transactions with owners, in their capacity as owners and other transfer</b>				
Shares issued during the year	2,700	-	-	2,700
<b>Total transactions with owners and other</b>	<u>2,700</u>	<u>-</u>	<u>-</u>	<u>2,700</u>
<b>Balance at 30 June 2010</b>	<u>576,700</u>	<u>401,713</u>	<u>-</u>	<u>978,413</u>
<b>Balance at 1 July 2010</b>	<u>576,700</u>	<u>401,713</u>	<u>-</u>	<u>978,413</u>
<b>Comprehensive income</b>				
Profit for the year	-	356,016	-	356,016
Other comprehensive income for the year	-	-	-	-
<b>Total comprehensive income for the year</b>	<u>-</u>	<u>356,016</u>	<u>-</u>	<u>356,016</u>
<b>Other</b>				
Transfers from retained earnings to capital development reserve	-	(265,812)	265,812	-
<b>Total Other</b>	<u>-</u>	<u>(265,812)</u>	<u>265,812</u>	<u>-</u>
<b>Balance at 30 June 2011</b>	<u>576,700</u>	<u>491,917</u>	<u>265,812</u>	<u>1,334,429</u>

The accompanying notes form part of these financial statements.



ENDLESS SOLAR CORPORATION LIMITED & CONTROLLED ENTITIES ABN: 51 122 708 061  
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 \$	2010 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		1,764,764	2,443,453
Payments to suppliers and employees		(1,461,611)	(2,129,163)
Interest received		9,201	9,365
Income tax paid		(59,546)	(36,721)
Net cash provided by/(used in) operating activities	23	<u>252,808</u>	<u>286,934</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of investments		81,237	-
Proceeds from sale of held-for-trading investment		-	48,578
Purchase of property, plant and equipment		(6,419)	(13,641)
Purchase of other non-current assets		(363,716)	-
Loan to related parties			
- payments made		(31,142)	-
Net cash provided by/(used in) investing activities		<u>(320,040)</u>	<u>34,937</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		-	2,700
Net cash provided by/(used in) financing activities		<u>-</u>	<u>2,700</u>
Net increase/(decrease) in cash held		(67,232)	324,571
Cash and cash equivalents at beginning of financial year	8	416,627	92,056
Cash and cash equivalents at end of financial year	8	<u>349,395</u>	<u>416,627</u>

The accompanying notes form part of these financial statements.

ENDLESS SOLAR CORPORATION LIMITED & CONTROLLED ENTITIES ABN: 51 122 708 061  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

This financial report includes the financial statements and notes of Endless Solar Corporation Limited & Controlled Entities.

**Note 1      Summary of Significant Accounting Policies**

**Basis of Preparation**

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act. Endless Solar Corporation Limited has elected to early adopt the pronouncements AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements for the annual reporting period beginning 1 July 2009. For a summary of Parent entity information refer to note 27.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

**(a) Business Combinations**

A controlled entity is any entity Endless Solar Corporation Limited has the power to control the financial and operating policies of, so as to obtain benefits from its activities. A list of controlled entities is contained in Note 11 to the financial statements. All controlled entities have a 30 June financial year-end.

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity. Where controlled entities have entered or left the consolidated entity during the year, their operating results have been included / excluded from the date control was obtained or until the date control ceased.

**(b) Income Tax**

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

**Tax Consolidation**

Endless Solar Corporation Limited and its wholly-owned Australian subsidiary have formed an income tax consolidated group under the tax consolidation regime. Each entity in the group recognises its own current and deferred tax liabilities, except for any deferred tax liabilities resulting from unused tax losses and tax credits, which are immediately assumed by the parent entity. The current tax liability of each group entity is then subsequently assumed by the parent entity. The tax consolidated group has entered a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

**(c) Inventories**

Inventories are measured at the lower of cost and net realisable value. The periodic inventory method is used, in which the ending inventory is determined by a physical count of every item, and its cost of goods sold is subtracted from the sum of purchases and the beginning inventory of the accounting period.

**ENDLESS SOLAR CORPORATION LIMITED & CONTROLLED ENTITIES ABN: 51 122 708 061**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

**(d) Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

**Plant and equipment**

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

**Depreciation**

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Furniture and Fixtures	10%
Computer Software	25%
Plant and equipment	10%
Vehicle	10%-25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

**(e) Leases**

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

**(f) Financial Instruments**

**Initial Recognition and Measurement**

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

**Classification and Subsequent Measurement**

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense item in profit or loss.

**(i) Financial assets at fair value through profit or loss**

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

**(ii) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, where they are expected to mature within 12 months after the end of the reporting period.

(iii) **Held-to-maturity investments**

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets where they are expected to mature within 12 months after the end of the reporting period. All other investments are classified as current assets.

(iv) **Available-for-sale financial assets**

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in other comprehensive income (except for impairment losses and foreign exchange gains and losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are included in non-current assets where they are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

(v) **Financial Liabilities**

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

(g) **Impairment of Assets**

At the end of each reporting period, the Company assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

(h) **Other Intangibles**

**Goodwill**

Goodwill is carried at cost less accumulated impairment losses. Goodwill is calculated as the excess of the sum of (i) the consideration transferred; (ii) any non-controlling interest; and (iii) the acquisition date fair value of any previously held equity interest, over the acquisition date fair value of net identifiable assets acquired.

Goodwill is tested for impairment annually and is allocated to the entity's cash generating units or groups of cash generating units, which represent the lowest level at which goodwill is monitored but where such level is not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold.

**Research and development**

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project is expected to deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a systematic basis based on the future economic benefits over the useful life of the project.

(i) **Employee Benefits**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Those cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows.

**ENDLESS SOLAR CORPORATION LIMITED & CONTROLLED ENTITIES ABN: 51 122 708 061**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

**(j) Options Scheme**

The Group operates an option scheme for eligible employees, directors, consultants and other participants approved by the ESC Board of Directors. The number of options expected to vest is to be reviewed and adjusted at each reporting date so that the amount recognised for services received as consideration for the options granted will be based on the number of options that eventually vest. The entitlement to Options is determined by the Board and options vest over a period ending at 31 August 2014 at the discretion of the Board. Options may be conditional on service conditions and performance hurdles. A total of 6,000,000 options have been granted, subject to meeting these hurdles.

ESC Limited is an unlisted company. As such, it would be highly subjective to value the options fairly, in particular, given the absence of data relating to a listed share price, and historical and implied option volatilities. Having regard to these factors, the Directors have determined that the cost of options expensed would not be material, and therefore not recognised in the Statement of Comprehensive Income for the current year; nor has an offsetting Reserve been established in the Balance Sheet of the same amount. The relevant expense will be included in future financial periods as these variables become capable of more accurate determination.

**(k) Provisions**

Provisions are recognised when the entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

**(l) Provision for Warranties**

Provision is made in respect of the Company's estimated liability on all products and services under warranty at the end of the reporting period. The provision is measured as the present value of future cash flows estimated to be required to settle the warranty obligation. The future cash flows have been estimated by reference to the entity's history of warranty claims.

**(m) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

**(n) Revenue and Other Income**

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest rate method.

All dividends received shall be recognised as revenue when the right to receive the dividend has been established.

All revenue is stated net of the amount of goods and services tax (GST).

**(o) Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**(p) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

**(q) Government Grants**

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

(r) **Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. Where the Company has retrospectively applied an accounting policy, made a retrospective restatement of items in the financial statements or reclassified items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

(s) **Critical Accounting Estimates and Judgments**

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

**Key Estimates**

*(i) Impairment*

The entity assesses impairment at each reporting period by evaluating conditions and events specific to the entity that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

No impairment has been recognised in respect of intangible assets at reporting date. Should the projected turnover figures be outside 10% of budgeted figures incorporated in value-in-use calculations, an impairment loss would be recognised up to the maximum carrying value of \$606,883.

(t) **New Accounting Standards for Application in Future Periods**

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods and which the Company has decided not to early adopt. A discussion of those future requirements and their impact on the Company is as follows:

— *AASB 9: Financial Instruments [December 2010] (applicable for annual reporting periods commencing on or after 1 January 2013).*

This Standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments. The Company has not yet determined any potential impact on the financial statements.

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in the other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

— *AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052] (applicable for annual reporting periods commencing on or after 1 July 2013)*

AASB 1053 establishes a revised differential financial reporting framework consisting of two tiers of financial reporting requirements for those entities preparing general purpose financial statements:

- Tier 1: Australian Accounting Standards; and
- Tier 2: Australian Accounting Standards - Reduced Disclosure Requirements.

Tier 2 of the framework comprises the recognition, measurement and presentation requirements of Tier 1, but contains significantly fewer disclosure requirements.

The following entities are required to apply Tier 1 reporting requirements (i.e. full IFRS):

- for-profit private sector entities that have public accountability; and
- the Australian Government and State, Territory and Local Governments.

The Company qualifies for the reduced disclosure requirements for Tier 2 entities.

— *AASB 2010-4: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13] (applicable for annual reporting periods commencing on or after 1 January 2011)*

This standard details numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. Key changes include:

- clarifying the application of AASB 108 prior to an entity's first Australian Accounting Standard financial statements;
- adding an explicit statement to AASB 7 that qualitative disclosures should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments;
- amending AASB 101 to the effect that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income is required to be presented, but is permitted to be presented in the statement of changes in equity or in the notes;
- adding a number of examples to the list of events or transactions that require disclosure under AASB 134; and
- making sundry editorial amendments to various Standards and Interpretations.

ENDLESS SOLAR CORPORATION LIMITED & CONTROLLED ENTITIES ABN: 51 122 708 061  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

**Note 2      Revenue and Other Income**

	2011 \$	2010 \$
Revenue from continuing operations		
Sales revenue		
— Sale of Goods	1,237,685	2,128,762
— Grants for research and development	265,812	-
— Licensing fees	285,355	387,407
Total sales revenue	<u>1,788,851</u>	<u>2,516,170</u>
Other revenue		
— interest received	9,201	9,365
Total other revenue	<u>9,201</u>	<u>9,365</u>
Total sales revenue and other revenue	<u>1,798,052</u>	<u>2,525,534</u>

**Note 3      Profit for the Year**

	2011 \$	2010 \$
(a) Expenses		
Cost of sales	942,271	1,470,240
Rental expense on operating leases		
— minimum lease payments	26,809	42,152
(b) Significant Expenses		
The following significant expense items are relevant in explaining the financial performance:		
Employee benefits expense	289,356	392,139
Total depreciation	16,072	22,132
Consulting fees	53,010	37,600
Advertising	4,840	19,861
Telephone	11,368	20,275
Warranty provision	-	(977)

ENDLESS SOLAR CORPORATION LIMITED & CONTROLLED ENTITIES ABN: 51 122 708 061  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

**Note 4 Income Tax Expense**

	2011 \$	2010 \$
(a) The components of tax expense comprise:		
Current tax	(53,092)	111,197
Deferred tax	(40,881)	(12,886)
Under provision in respect of prior years	<u>14,128</u>	<u>(13,286)</u>
	<u>(79,845)</u>	<u>85,026</u>
(b) Prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2010: 30%)	<u>82,851</u>	<u>96,297</u>
Add:	82,851	96,297
Tax effect of:		
— other non-allowable items	451	1,335
— under provision for income tax in prior year	<u>21,500</u>	<u>-</u>
	104,802	97,632
Less:		
Tax effect of:		
— Research and development concessions	(136,394)	(9,000)
— Under / (Over) provision for income tax - Research & Development Claim	(7,372)	(3,606)
— Deferred tax asset timing differences not recouped	(1,475)	-
— Deferred income tax timing differences previously recognised not to be incurred	<u>(39,407)</u>	<u>-</u>
Income tax (benefit) attributable to entity	<u>(79,845)</u>	<u>85,026</u>
The applicable weighted average effective tax rates are as follows:	-28.9%	26.5%

**Note 5 Interests of Key Management Personnel (KMP)**

KMP are defined as any persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (executive or otherwise) of the entity.

The totals of remuneration paid to KMP of the company during the year are as follows:

	2011 \$	2010 \$
Short-term employee benefits	86,383	161,183
Retirement benefits	<u>7,775</u>	<u>11,985</u>
	<u>94,158</u>	<u>173,168</u>

**KMP Options and Rights Holdings**

The number of options over ordinary limited voting shares in Endless Solar Corporation Limited & Controlled Entities held during the financial year by each KMP of the entity is as follows:-

	Balance at beginning of year	Granted as remuneration during the year	Exercised during the year	Other changes during the year	Balance at end of year	Vested during the year	Vested and exercisable	Vested and unexercisable
30 June 2011								
Mr David H.A Craig	550,000	-	-	-	550,000	-	-	-
Mr Stephen Standish	550,000	-	-	-	550,000	-	-	-
Mr Boyce Pizzey	550,000	-	-	(370,000)	180,000	-	-	-
Koay Baring-Gould Superannuation Fund	550,000	-	-	400,000	950,000	-	-	-
Mr Kevin Thomas	100,000	-	-	-	100,000	-	-	-
	<u>2,300,000</u>	-	-	30,000	<u>2,330,000</u>	-	-	-
30 June 2010								
Mr David H.A Craig	550,000	-	-	-	550,000	-	-	-
Mr Stephen Standish	550,000	-	-	-	550,000	-	-	-
Mr Boyce Pizzey	550,000	-	-	-	550,000	-	-	-
Koay Baring-Gould Superannuation Fund	550,000	-	-	-	550,000	-	-	-
Mr Kevin Thomas	100,000	-	-	-	100,000	-	-	-
	<u>2,300,000</u>	-	-	-	<u>2,300,000</u>	-	-	-



**ENDLESS SOLAR CORPORATION LIMITED & CONTROLLED ENTITIES ABN: 51 122 708 061**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

**KMP Shareholdings**

The number of ordinary shares in Endless Solar Corporation Limited & Controlled Entities held during the financial year by each KMP of the entity is as follows:-

30 June 2011

	Balance at beginning of year	Granted as remuneration during the year	Issued on exercise of options during the year	Other changes during the year	Balance at end of year
Mr David H.A Craig	90,000	-	-	-	90,000
Mr Stephen Standish	100,000	-	-	-	100,000
Mr Boyce Pizzey	20,000	-	-	-	20,000
Koay Baring-Gould Superannuation	20,000	-	-	-	20,000
Mr Kevin Thomas	-	-	-	-	-
	<u>230,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>230,000</u>

30 June 2010

	Balance at beginning of year	Granted as remuneration during the year	Issued on exercise of options during the year	Other changes during the year	Balance at end of year
Mr David H.A Craig	90,000	-	-	-	90,000
Mr Stephen Standish	100,000	-	-	-	100,000
Mr Boyce Pizzey	20,000	-	-	-	20,000
Koay Baring-Gould Superannuation	20,000	-	-	-	20,000
	<u>230,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>230,000</u>

**Other KMP Transactions**

There have been no other transactions involving equity instruments other than those described in the tables above.

For details of other transactions with KMP, refer to Note 25: Related Party Transactions. For details of loans to KMP, refer to Note 9: Trade and Other Receivables.

**Note 6 Auditors' Remuneration**

	2011 \$	2010 \$
Remuneration of the auditor of the entity for:		
— auditing the financial report	15,295	16,200
— taxation services	4,795	7,800
— grant acquittal audit	3,000	-
	<u>23,090</u>	<u>24,000</u>

**Note 7 Dividends**

	2011 \$	2010 \$
No dividends have been declared or provided for.		
Balance of franking account at year end adjusted for franking credits arising from:		
— balance brought forward from previous year	42,227	-
— payment of income tax	48,961	42,227
	<u>91,188</u>	<u>42,227</u>

**Note 8 Cash and Cash Equivalents**

	Note	2011 \$	2010 \$
Cash at bank and in hand	26	349,395	416,627
		<u>349,395</u>	<u>416,627</u>

ENDLESS SOLAR CORPORATION LIMITED & CONTROLLED ENTITIES ABN: 51 122 708 061  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

**Note 9 Trade and Other Receivables**

	2011 \$	2010 \$
<b>CURRENT</b>		
Trade receivables	46,193	104,969
Other receivables	46,193	104,969
Amounts receivable from related parties	-	10,452
— associated companies	-	28,005
Total current trade and other receivables	<u>46,193</u>	<u>143,426</u>
<b>NON-CURRENT</b>		
Rental Bond	9,000	9,000
Provision for impairment	-	-
Amounts receivable from related parties	9,000	9,000
— Other related parties	31,143	-
Total non-current trade and other receivables	<u>40,143</u>	<u>9,000</u>

**Note 10 Inventories**

	2011 \$	2010 \$
<b>CURRENT</b>		
Solar hot water systems and parts at the lower of cost and net realisable value.	125,751	240,108
	<u>125,751</u>	<u>240,108</u>

**Note 11 Controlled Entities**

Interests are held in the following associated companies

Name	Incorporation	Shares	Interest	Amount of	
				2011	2010
				%	%
				\$	\$
Unlisted:					
Endless Solar Operations Pty Ltd	Australia	Ord	100	100	100
Renewable Energy Exchange	Australia	Ord	100	100	100
				100	100

**ENDLESS SOLAR CORPORATION LIMITED & CONTROLLED ENTITIES ABN: 51 122 708 061**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

**Note 12 Other Financial Assets**

	2011 \$	2010 \$
<b>NON CURRENT</b>		
Available-for-sale financial assets	370,891	452,128
<b>Total Non-current Assets</b>	<u>370,891</u>	<u>452,128</u>
 <b>Available-for-sale financial assets</b>		
<b>NON CURRENT</b>		
Listed investments, at fair value		
— shares in listed corporations	319,984	401,221
	<u>319,984</u>	<u>401,221</u>
Unlisted investments, at cost		
— shares in other corporations	50,907	50,907
	<u>50,907</u>	<u>50,907</u>
 <b>Total non-current available-for-sale financial assets</b>	<u>370,891</u>	<u>452,128</u>

Listed investments include 6 million ordinary shares in Authorised Investment Fund Limited ("AIY"), acquired on 29 June 2009 at a fair value of \$319,800, being the transaction price negotiated over many months and based on 5.33 cents per share, the minimum price at which AIY was interested. AIY's bid price at the time was 2.7 cents, which in the opinion of the parties was not based on an active market, nor did it reflect a premium appropriate to the size of the parcel of shares being offered. Mr. David Craig is a director of both the Company and of AIY, and abstained from voting.

The company allotted 1.6 million of its shares (10%) to AIY at 20 cents for a total consideration of \$320,000.

In the opinion of the Directors, this cross investment, together with another unlisted investment, brings potential strategic opportunities in the marketing of products in residential and commercial markets.

**Note 13 Property, Plant and Equipment**

	2011 \$	2010 \$
<b>PLANT AND EQUIPMENT</b>		
Furniture and fittings		
At cost	3,048	3,048
(Accumulated depreciation)	(1,230)	(1,028)
	<u>1,818</u>	<u>2,020</u>
Computer Equipment and Software		
At cost	46,814	40,395
(Accumulated depreciation)	(36,650)	(26,487)
	<u>10,163</u>	<u>13,908</u>
Equipment		
At cost	8,597	8,597
(Accumulated depreciation)	(5,525)	(3,478)
	<u>3,072</u>	<u>5,120</u>
Vehicle		
At cost	28,182	28,182
(Accumulated depreciation)	(10,314)	(6,655)
	<u>17,867</u>	<u>21,527</u>
 <b>Total plant and equipment</b>	<u>32,920</u>	<u>42,574</u>

**(a) Movements in Carrying Amounts**

Movements in carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

	Furniture & Fixtures \$	Computer & Software \$	Equipment \$	Vehicle \$	Total \$
Balance at 1 July 2009	2,525	21,226	1,481	25,833	51,065
Additions	-	6,590	7,051	-	13,641
Depreciation expense	(505)	(13,908)	(3,413)	(4,306)	(22,132)
Balance at 30 June 2010	<u>2,020</u>	<u>13,908</u>	<u>5,119</u>	<u>21,527</u>	<u>42,574</u>
Additions	-	6,419	-	-	6,419
Depreciation expense	(202)	(10,163)	(2,048)	(3,660)	(16,073)
Balance at 30 June 2011	<u>1,818</u>	<u>10,164</u>	<u>3,071</u>	<u>17,867</u>	<u>32,920</u>

ENDLESS SOLAR CORPORATION LIMITED & CONTROLLED ENTITIES ABN: 51 122 708 061  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 14 Intangible Assets

	2011 \$	2010 \$
Development costs - goodwill		
Cost	121,847	121,847
Accumulated amortisation and impairment	-	-
Net carrying value	<u>121,847</u>	<u>121,847</u>

Goodwill represents the cost of assets acquired from a Related Party under an Asset Sale Agreement dated 29 June 2007 for a consideration of \$150,000, satisfied by the issue of 15 million Preference shares ~ subsequently converted into Non voting Ordinary shares.

The assets acquired include Intellectual Property and other intangible assets, stock, prepayments and plant and equipment. In the Directors' opinion, the amount allocated to Intangible Assets represented the fair value of those assets acquired at that time.

In the Directors' opinion intangible assets related to goodwill have an indefinite life and are tested for impairment annually.

Integrated thermal comfort device

Cost: 2010	121,320	-
Cost: 2011	363,716	-
Accumulated amortisation and impairment	-	-
Net carrying value	<u>485,036</u>	<u>-</u>

Solar cooling technology that has been developed by the Company to a recognisable capability with support from AusIndustry by way of grants.

Total intangibles	<u>606,883</u>	<u>121,847</u>
-------------------	----------------	----------------

Note 15 Other Assets

	2011 \$	2010 \$
CURRENT		
Prepayments	18,418	10,888
	<u>18,418</u>	<u>10,888</u>

Note 16 Trade and Other Payables

	2011 \$	2010 \$
CURRENT		
Unsecured liabilities		
Trade payables	151,142	19,099
Sundry creditors & accruals	79,462	146,701
Grants received in advance	-	119,077
	<u>230,605</u>	<u>284,877</u>

Note

16

## Note 17 Tax

			2011		2010	
			\$		\$	
<b>CURRENT</b>						
Income tax payable			60,150		98,196	
			<u>60,150</u>		<u>98,196</u>	
	Opening Balance	Charged to	Charged	Changes in	Exchange	Closing
	\$	Income	directly to	Tax Rate	Differences	Balance
		\$	Equity	\$	\$	\$
<b>NON-CURRENT</b>						
Deferred tax liability						
Property, plant and equipment						
- Tax Allowance	-	407	-	-	-	407
- Exchange traded options	-	39,000	-	-	-	39,000
Balance as at 30 June 2010	-	39,407	-	-	-	39,407
Property, plant and equipment						
- Tax Allowance	407	-	(407)	-	-	-
- Exchange traded options	39,000	-	(39,000)	-	-	-
Balance as at 30 June 2011	39,407	-	(39,407)	-	-	-
	Opening Balance	Charged to	Charged	Changes in	Exchange	Closing
	\$	Income	directly to	Tax Rate	Differences	Balance
		\$	Equity	\$	\$	\$
<b>Deferred tax assets</b>						
Provisions	10,565	12,885	-	-	-	23,450
Recognition of tax losses being recoverable						-
Balance as at 30 June 2010	10,565	12,885	-	-	-	23,450
Provisions	23,450	(866)	-	-	-	22,584
Recognition of tax losses being recoverable	-	62,804	-	-	-	62,804
Balance as at 30 June 2011	23,450	61,938	-	-	-	85,388
Deferred tax asset (net)	(15,957)	61,938	39,407	-	-	85,388

## Note 18 Provisions

CURRENT	2011	2010
Warranties	\$	\$
Opening balance at beginning of year	24,023	25,000
Amounts used	(1,359)	(977)
Balance at end of the year	<u>22,664</u>	<u>24,023</u>
Short-term Employee Benefits		
Opening balance at beginning of year	35,134	15,134
Additional provisions raised during year	-	20,000
Amounts used	(7,000)	-
Balance at end of the year	<u>28,134</u>	<u>35,134</u>
Analysis of Total Provisions		
	2011	2010
	\$	\$
Current	50,798	59,156
Non-current	-	-
	<u>50,798</u>	<u>59,156</u>

The Provision for Warranty has been recognised having regard to empirical indicators of repairs and replacements historically carried out under Product guarantees. The amount represents the directors' best estimate of costs to be incurred during 2010/2011.

**ENDLESS SOLAR CORPORATION LIMITED & CONTROLLED ENTITIES ABN: 51 122 708 061**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

**Note 19 Issued Capital**

	2011 \$	2010 \$
400,000 (2010: 400,000) fully paid ordinary shares	4,000	4,000
17,115,000 (2010: 17,100,000) fully paid ordinary shares - limited voting	572,700	572,700
	<u>576,700</u>	<u>576,700</u>

The company has authorised share capital amounting to [insert number] ordinary shares.

**(a) Ordinary Shares**

At the beginning of reporting period  
At the end of the reporting period  
At the end of the reporting period

	2011 No.	2010 No.
	400,000	400,000
	<u>400,000</u>	<u>400,000</u>

Ordinary shares participate in dividends and the proceeds on winding up of the entity in proportion to the number of shares held.  
At the shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

**(b) Ordinary Shares - limited voting**

At the beginning of the reporting period  
Shares issued during the year  
At the end of the reporting period

	2011 No.	2010 No.
	17,115,000	17,100,000
	-	15,000
	<u>17,115,000</u>	<u>17,115,000</u>

**(c) Options**

There is a total of 6,000,000 options granted at the date of authorising this report: 4,355,000 granted at 12 cents, 645,000 granted at 20 cents and 1,000,000 granted options at 30 cents.

**Note 20 Capital and Leasing Commitments**

There are no commitments (leases) which are longer than 12 months in duration.

**Note 21 Contingent Liabilities and Contingent Assets**

The Company had no contingent liabilities outstanding at the end of the current or previous financial year.

**Note 22 Operating Segments**

**Segment Information**

The company and its controlled entities operate in Australia, and in the same business segment of solar energy.

**Note 23 Cash Flow Information**

	2011 \$	2010 \$
<b>Reconciliation of Cash Flow from Operations with Profit after Income Tax</b>		
Profit after income tax		
Non-cash flows in profit	356,016	235,962
Depreciation		
Capitalise research and development expenses incurred in prior period	16,073	22,132
Changes in assets and liabilities	(121,320)	-
(Increase)/decrease in trade and term receivables	97,233	(74,216)
(Increase)/decrease in prepayments	(7,530)	(10,888)
(Increase)/decrease in inventories	114,357	(134,309)
Increase/(decrease) in trade payables and accruals	(54,272)	179,121
Increase/(decrease) in income taxes payable	(38,046)	62,995
Increase/(decrease) in deferred taxes payable	(101,345)	(12,885)
Increase/(decrease) in provisions	(8,358)	19,022
Cash flow from operations	<u>252,808</u>	<u>286,934</u>

**Note 24 Events After the Reporting Period**

Subsequent to balance date Endless Solar Corporation Ltd finalised a rights issue. Most of Endless Solar Pty Ltd shareholders accepted Endless Solar Corporation Ltd shares (limited voting) for their existing holdings. Some 40 % of the pro rata rights issue that closed on 21 July 2011 were taken up and the shortfall was placed. The total amount of capital raised was \$350,000.

**ENDLESS SOLAR CORPORATION LIMITED & CONTROLLED ENTITIES ABN: 51 122 708 061**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

**Note 25      Related Party Transactions**

Transactions between related parties are on normal commercial terms and conditions and are no more favourable than those available to external parties unless otherwise stated.

Note 9 refers to trade and other amounts receivable from Related Parties.

Note 5 sets out details of compensation paid to key Management Personnel, and to Options and Shares held by those dates.

**Note 26      Financial Risk Management**

The Company's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from subsidiaries, bills, leases, preference shares, and derivatives.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Note	2011 \$	2010 \$
<b>Financial Assets</b>			
Cash and cash equivalents	8	349,395	416,627
Loans and receivables	9	46,193	143,426
Available-for-sale financial assets			
— at fair value			
— listed investments	12	319,984	401,221
— at cost			
— unlisted investments	12	50,907	50,907
Total available-for-sale financial assets		<u>370,891</u>	<u>452,128</u>
<b>Total Financial Assets</b>		<u><u>766,478</u></u>	<u><u>1,012,181</u></u>
<b>Financial Liabilities</b>			
Financial liabilities at amortised cost			
— Trade and other payables	16	230,605	284,877
<b>Total Financial Liabilities</b>		<u><u>230,605</u></u>	<u><u>284,877</u></u>

**Financial Risk Management Policies**

Financial risk management policies has been the responsibility of the Board of Directors for, amongst other issues, monitoring and managing financial risk exposures of the entity.

The Board's overall risk management strategy seeks to assist the entity in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

**Specific Financial Risk Exposures and Management**

The main risks the entity is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk and foreign currency risk.

**a. Credit risk**

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the entity.

Credit risk is managed through the maintenance of procedures (such procedures include the utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring of the financial stability of significant customers and counterparties), ensuring to the extent possible, that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating or in entities that the board has otherwise cleared as being financially sound.

*Credit Risk Exposures*

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period, excluding the value of any collateral or other security held is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

The entity has no significant concentration of credit risk with any single counterparty or group of counterparties. However, on a geographic basis, the entity has significant credit risk exposure to Australia given the substantial operations in this region. Details with respect to credit risk of Trade and Other Receivables is provided in Note 9.

Trade and other receivables that are neither past due or impaired are considered to be of high credit quality. Aggregates of such amounts are as detailed at Note 9.

Credit risk related to balances with banks and other financial institutions is managed by the Board in accordance with approved Board policy.

ENDLESS SOLAR CORPORATION LIMITED & CONTROLLED ENTITIES ABN: 51 122 708 061  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

b. Liquidity risk

Liquidity risk arises from the possibility that the entity might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The entity manages this risk through the following mechanisms:-

- preparing forward looking cash flow analysis in relation to its operational, investing and financing activities
- obtaining funding from a variety of sources
- maintaining a reputable credit profile
- managing credit risk related to financial assets
- only investing surplus cash with major financial institutions
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets

**Note 27 Parent Information**

The following information has been extracted from the books and records of the parent and has been prepared in accordance with the accounting standards.

	2011 \$	2010 \$
<b>BALANCE SHEET</b>		
TOTAL ASSETS	<u>1,911,830</u>	<u>1,302,472</u>
TOTAL LIABILITIES	<u>270,181</u>	<u>189,970</u>
NET ASSETS	<u>1,641,649</u>	<u>1,112,502</u>
<b>EQUITY</b>		
Issued Capital	576,600	575,200
Retained Earnings	<u>1,065,049</u>	<u>537,302</u>
TOTAL EQUITY	<u>1,641,649</u>	<u>1,112,502</u>
Total Profit	<u>527,747</u>	<u>273,029</u>
Total comprehensive income	<u>527,747</u>	<u>273,029</u>

**Note 28 Company Details**

The registered office of the company is:  
Endless Solar Corporation Limited & Controlled Entities  
Level 6, 412 Collins Street, Melbourne VIC 3000

The principal place of business is:  
Endless Solar Corporation Limited & Controlled Entities  
Unit 1, 340 Chisholm Road, Auburn, NSW, 2144



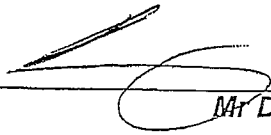
ENDLESS SOLAR CORPORATION LIMITED & CONTROLLED ENTITIES ABN: 51 122 708 061  
DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 4 to 22, are in accordance with the Corporations Act 2001 and:
  - (a) comply with Accounting Standards, which, as stated in accounting policy note 1 to the financial statements, constitutes explicit and unreserved compliance with international financial reporting standards (IFRS); and
  - (b) give a true and fair view of the financial position as at 30 June 2011 and of the performance for the year ended on that date of the company;
2. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director



Mr David H.A Craig

Dated this

5

day of

January

2012



JOHN WHELLER, F.C.A.

CHARTERED ACCOUNTANT

ENDLESS SOLAR CORPORATION LIMITED & CONTROLLED ENTITIES ABN: 51 122 708 061  
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
ENDLESS SOLAR CORPORATION LIMITED & CONTROLLED ENTITIES

**Report on the Financial Report**

We have audited the accompanying financial report of Endless Solar Corporation Limited & Controlled Entities, which comprises the statement of financial position as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the company at the year's end or from time to time during the financial year.

**Directors' Responsibility for the Financial Report**

The directors of the company are responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determined this necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with the International Financial Reporting Standards (IFRS).

**Auditor's Responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Independence**

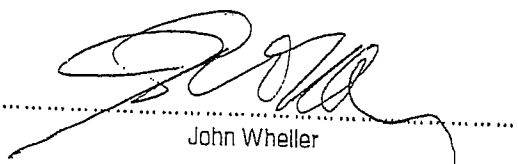
In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

**Auditor's Opinion**

In our opinion:

- a. the financial report of Endless Solar Corporation Limited & Controlled Entities is in accordance with the Corporations Act 2001, including:
  - i. giving a true and fair view of the company's financial position as at 30 June 2011 and of their performance for the year ended on that date; and
  - ii. complying with Australian Accounting Standards and the Corporations Regulations 2001;
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Director

  
John Wheller

Dated this

9

day of

January

2012

Registered Company Auditor No.9003

PO Box 933, Carnegie Vic 3163  
1190 Dandenong Road, Murrumbeena Vic 3163

Tel: +61 3 9568 0188 Fax: +61 3 9569 6265  
Email: twb@twb.com.au Web: www.twb.com.au

**ENDLESS SOLAR CORPORATION LIMITED & CONTROLLED ENTITIES ABN: 51 122 708 061**  
**LIST OF SHAREHOLDERS**

The following list of shareholders is current as at 1st December 2011:

**a. Shareholders - Ordinary Shares (Voting)**

<b>Name</b>	<b>Number</b>	<b>% Held of Issued Ordinary Capital</b>
1. Endless Solar Pty Ltd	180,000	19.07
2. Lion Corporate Services Pty Ltd	170,000	18.01
3. Harvard Nominees Pty Ltd Account 5	127,263	13.48
4. Mr.D Craig	105,000	11.12
5. Mr. S. Standish	100,000	10.59
6. Collins Court Corporation Ltd	93,333	9.89
7. Harvard Nominees Pty Ltd Account 1	65,000	6.89
8. Rowland Holdings Pty Ltd	60,000	6.36
9. Koay Baring-Gould Superannuation Fund	23,334	2.47
10. Mr. B. Pizzey	20,000	2.12
	<u>943,930</u>	<u>100%</u>

**b. 20 Largest Shareholders - Ordinary Shares (Limited Voting)**

<b>Name</b>	<b>Number</b>	<b>% Held of Ordinary Shares - Limited Voting</b>
1. Endless Solar Pty Ltd	4,492,693	22.38%
2. Harvard Nominees Pty Ltd Account 4	3,871,611	19.29%
3. Lion Corporate Services Pty Ltd Account 14	2,280,000	11.36%
4. Authorised Investment Fund Ltd	1,866,667	9.30%
5. Lion Corporate Services Pty Ltd Account 12	1,555,142	7.75%
6. Mr. S. Standish	940,409	4.69%
7. Mr. F. Mosca	911,999	4.54%
8. Koay Baring-Gould Superannuation Fund	798,000	3.98%
9. Collins Court Corporation Ltd	638,400	3.18%
10. Mr. G. Walsh	371,640	1.85%
11. Mr.L. Hiley	367,080	1.83%
12. Lion Corporate Services Pty Ltd Account 11	364,800	1.82%
13. Dr. D & F. Ross	239,582	1.19%
14. Harvard Nominees Pty Ltd Account 3	137,500	0.69%
15. Mr. S. H. Crane & Ms. A.B. Thomas	116,667	0.58%
16. Mr. T. T. Murphy & Mr. T. S. Keogh	116,667	0.58%
17. Mr. G. Daniel	114,182	0.57%
18. Mrs. M. Salter	105,000	0.52%
19. Celebrity Enterprises Pty Ltd	100,000	0.50%
20. Paribas Pty Ltd	91,200	0.45%
	<u>19,479,239</u>	<u>97.05%</u>